

Report to the community...

"a year in review"



**KERN HEALTH
SYSTEMS**



CEO Message

This year Kern Health Systems and Kern Family Health Care celebrate 19 years of service in providing high-quality health care coverage to families throughout Kern County. Nearly one out of every four Kern County residents is a member of Kern Family Health Care. We take pride in being a local health plan responsible only to meeting the medical care needs of our members who reside in Kern County. Being local means that our employees live and work in the same communities as our members. In addition, being local means we can work more closely with physicians, hospitals and pharmacies who treat our members.

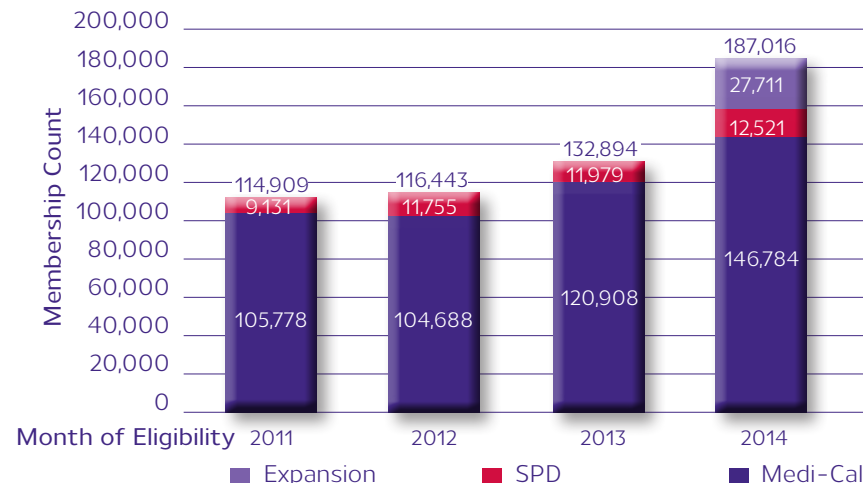
Our commitment to our community has not changed in 19 years: our members and their access to quality health care services remains our primary focus, we value our network of providers and will continue to build upon our collaborative effort to provide members with the best health care possible. In support of this commitment, KHS distributed approximately \$8 million dollars of payment enhancements to eligible primary care providers and our Board of Directors approved over \$5 million dollars in grant money to increase the access to medical care for all members. In 2014, KHS was acknowledged at the Department of Health Care Services Quality Conference as showing the most improvement in HEDIS measures among Medi-Cal managed care health plans in California. This award signifies KHS meets nationally recognized standards for access to care, quality of care, and member satisfaction with the health plan and their doctors. Although the award was presented to KHS, we see it as a tribute to our primary care physicians and the importance they place on quality and access to services for our members.

The expansion of Medi-Cal, through the Affordable Care Act, enabled KHS to welcome over 54,000 new members in 2014. As Kern Health Systems moves toward enrolling its 200,000th member, we will continue to uphold our mission of being dedicated to improving the health status of our members through an integrated managed health care delivery system.

Respectfully,

Douglas A. Hayward
Chief Executive Officer

KHS Enrollment Comparisons by Groups



Together in... Community

KHS Welcomes New Medi-Cal Expansion Members

On January 1, 2014 the Affordable Care Act (ACA) allowed the State of California to expand Medi-Cal eligibility to individuals up to 138% of the Federal Poverty Level (FPL) – including childless adults. The expansion of Medi-Cal enabled KHS to welcome over 54,000 new members who now have access to quality health care. Projected membership at the end of 2014 was 187,064, final total was 187,016.

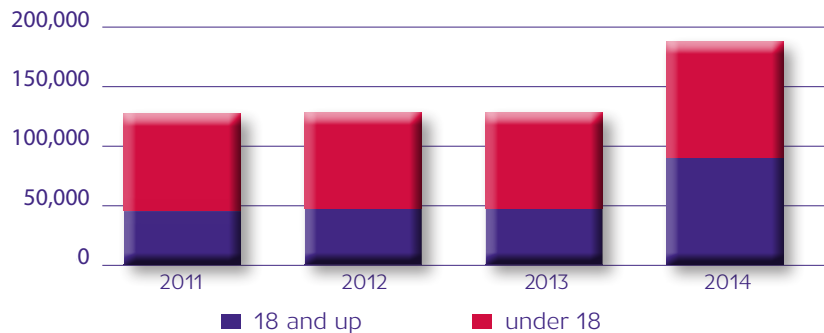
Newly eligible members qualifying under the ACA tend to represent an older population than those enrolled in KHS prior to the ACA. This changing demographic presents new challenges to KHS. Along with being older, this population suffers more from chronic illness, and in many instances, with more than one chronic condition. Beginning in 2012, KHS invested several million dollars through its Grant Program to build and expand clinics and physician practices in anticipation of the additional demand for care this population would require. The Grant Program continues to invest in new health care delivery system models geared towards treating this more medically complex population.



Pre – Affordable Care Act (2014)
Women and children dominated KHS's membership

Post – Affordable Care Act
KHS Membership now includes more adults

KHS Adult Demographic Grows



KHS partnered with the Kern County Department of Human Services to offer Healthcare Coverage Enrollment Events in Bakersfield. More than 670 people signed up for coverage at these events.

Together in...

prevention

Nutrition & Asthma Education

Despite medicine's advancement and positive impact on treating chronic disease, evidence points to the value proper nutrition, exercise and prevention have on maintaining good health.

In 2014, the Health Education Department hosted 36 Healthy Eating and Active Lifestyle Classes at the Kern County Public Health Services Department, Horace Mann Elementary School, and Henry Eissler Elementary School. In these classes, our members learned how to shop smart using grocery ads, learned to pick fruits and vegetables that are in season, healthy recipes and how to read food labels to choose healthy foods.

KHS also provided 21 Asthma Education classes at the Kern County Public Health Services Department and the Lamont School District Parent Education Center. The focus for these classes is educating our members to properly manage their asthma by creating an action plan. In these classes, our Health Educator was able to identify members who did not know how to properly manage their asthma and members who use their rescue inhaler more than a few times per week. More than 250 people attended these classes, about 90% were KHS members.

Diabetic Clinic at Bakersfield Memorial Hospital



In 2012, KHS and Delano Regional Medical Center created the first Diabetic Clinic for KHS members residing in Northern Kern County. The program showed treating members using a multi-disciplinary approach over a prolonged period of time proved to be an effective approach to managing their diabetes.

In 2014, KHS expanded its Diabetic Clinic Program through a partnership with Bakersfield Memorial Hospital. KHS members, living in Bakersfield who have difficulty controlling their

disease, may now access similar services used by our Delano members. The Program teaches members comprehensive diabetes self-management training so members become more aware of their disease, how it impacts their health and how to live with diabetes. Specifically, members receive: nutrition education; instruction on daily testing, medication therapy and self-evaluation for other medical conditions associated with diabetes; and information on the importance of early detection screening programs, importance of receiving periodic PCP checkups and importance of undergoing routine laboratory work ups to monitor their Hemoglobin A1c levels.

In the first two years, KHS expects the Bakersfield Memorial Hospital Diabetic Clinic will serve up to 1,000 KHS members who could benefit from the Clinic.



Maria
Daughter is a student in the Lamont School District

"I spoke with the person giving the class from Kern Family Health Care and I asked if it was healthy for the school to cut the grass when kids are on recess or when they're walking to school. He said it's not right for any kid, especially my daughter that has asthma. I spoke with the Principal about it; I told her what I learned. I showed her some of the papers from the class and she took action. Now they

cut the grass before the kids get to school and when the kids are out of school. It was a big change and I'm really thankful for it because thanks to that, my daughter hasn't used a nebulizer and doesn't use the spray as much as before."

Together in...

KHS was acknowledged at the 2014 Department of Health Care Services (DHCS) Quality Conference as showing the most improvement in HEDIS measures from 2013 to 2014 among Medi-Cal managed care health plans in California.



Together in... health

Benefit Expansion

Physicians often discover when treating patients for medical conditions that it's not unusual to find patients who suffer from minor or moderate behavioral health disorders. In 2014, KHS began offering limited behavioral health benefits including treatment for autism.

Behavioral health treatment will address acute conditions that would benefit from short term intervention such as depression or anxiety. Autism treatment will develop ways to restore daily function for members diagnosed with this condition. To qualify for Autism treatment, members must be under 21 years of age, have a diagnosis of Autism Spectrum Disorder and have behaviors that interfere with home or community life. Some examples include anger, violence, self-injury, running away, or difficulty with living skills, play and/or communication skills.

“With new information regarding medical conditions and autism, many children, adolescents, and adults diagnosed with Autism may have conditions that may negatively impact their developmental progress and behavior, but frequently go undetected. Many of these medical conditions are treatable, often resulting in improved developmental gains and quality of life for the patient and family. In addition, the possibility exists that some of these medical conditions may suggest the presence of important genetic and/or biologic markers, which, if identified, can refine our ability to be more precise in categorizing clinical and genetic subtypes within the autism spectrum.” ~ Deborah Murr, RN, KHS Administrative Director of Health Services

quality

HEDIS Performance

Each year the Health Effectiveness Data and Information Set (HEDIS) is used by more than 90% of America's health plans to measure performance. KHS received a special recognition award as the Medi-Cal managed care health plan showing the greatest improvement in several key measurements used to indicate the level of quality care members are receiving from KHS's provider network.

Pay for Performance Program

KHS continues to offer financial incentives to contracted physicians who provide preventive and chronic care health services to their assigned KHS members. The quality criteria are focused on HEDIS and health plan defined measures. In 2014, 256 providers (100% of our contracted PCPs) participated in the program.

Improvements to Referral and Authorization Process

Using technology and clinical practice standards embedded in "evidence based medicine", KHS changed its procedures when physicians feel it's necessary to refer their patients to specialists or for diagnostic tests they may not perform. The change, to limit the number of procedures requiring prior-authorization and ability to expedite requests coming from physicians who submit their requests online, has eliminated the need for many referral requests and improved turnaround time for those procedures still requiring prior authorization.

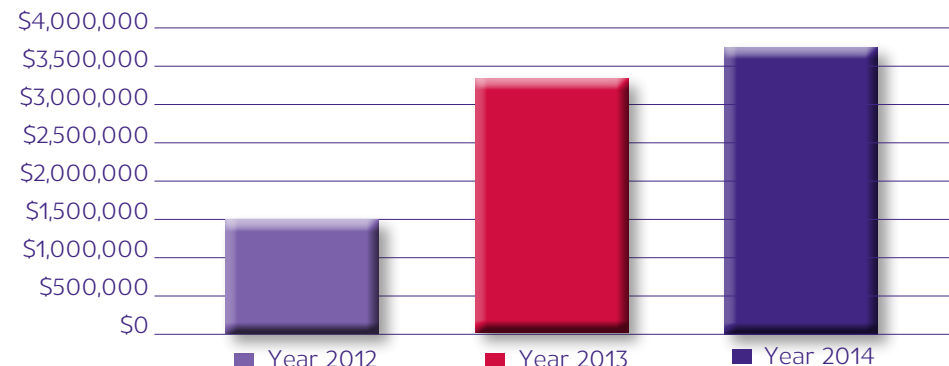
KHS's prior authorization procedures were revised to achieve three goals:

- 1) Improve access for members related to timely approval of requested services
- 2) Enhance provider authorization process experience through streamlined review
- 3) Reduce KHS staff authorization volume by reducing medical necessity reviews

In order to validate the efficacy and cost effectiveness of the adoption of the new process, an audit monitoring program has been implemented to determine if the new referral authorization program is achieving its goals and shown to be cost-effective in reducing overhead expenses associated with the previous arrangement.

Early indication shows the number of prior authorization requests providers must submit to KHS for medical necessity review decreased by 40%. Members are now able to receive medically necessary care from contracted specialty physicians more timely. Examples of Specialty areas where service access has been expedited with this change in procedure include: Cardiology, Nephrology, Ophthalmology and Pulmonology.

KHS Pay for Performance Payment Comparison



Together in... innovation



**Dr. Warren Wisnoff, DO
Physician at the
KMC REACH Clinic**

“The REACH Clinic is very innovative for our community, there’s not many offices that

have such a multidisciplinary team put together to help patients at such different facets of their health care and education. I am very appreciative to Kern Family Health Care and to Kern Medical Center for giving me the opportunity to practice medicine in the way that I always hoped I could.”

New Computer Operating System

KHS is undertaking a major conversion of its core computer operating system. The new computer system allows KHS to accommodate membership growth, improve automation of its eligibility processing, member servicing, claims adjudication and payment, and a number of other critical functions KHS performs on behalf of members, providers and the Med-Cal program. The new computer system will support the Company's operations for the next ten (10) years.

“The progress of the large 12 month project is on schedule and the change will have a significant impact to the company operations in support of our members and providers.”

~ Richard Pruitt, KHS Chief Information Officer

KHS Launches Internal Complex Case Management Services

In October 2014, KHS launched the Complex Case Management Group services to address the medical needs of our members with the highest health risk. Complex Case Management is the systematic coordination and assessment of care and services provided to members who have experienced a critical event or diagnosis that requires the extensive use of resources and who need help navigating the system to facilitate appropriate delivery of care and services.

The goal of Complex Case Management is to help members regain optimum health and/or improved functional capability, educate members regarding their chronic condition and reinforce the PCP prescribed treatment plan. It is anticipated that this will in turn result in decreased costs and improved quality through focusing on the delivery of care at the appropriate time and in the appropriate setting. Successfully implemented, the onsite Care Management function will aid in reducing hospital readmissions and unnecessary emergency room visits.

The number of members contacted in Complex Case Management increased by 41 percent from January 2014 to December 2014. Nurse Case Managers, Pharmacists, Medical Directors, Medical Social Worker's and Utilization Management leadership meet weekly to discuss complex members and coordinate health care solutions.

Emergency Department utilization for non-emergencies is an area tracked by staff. When it is discovered members are utilizing the emergency room for routine care, the Case Management staff contact these members, assess their medical condition and arrange for follow-up treatment through their assigned Primary Care Physician. Assistance is given with appointment scheduling, PCP changes, and coordination of care. Cost savings have been demonstrated through decreased utilization of the Emergency room among this group.

“My nurse is not only a nurse; she is a friend and a true blessing. She helps with transportation, doctors’ appointments, medications and anything I’m unclear about. I hope they keep this service, because I really like it.”

~ Katrina, KFHC Case Management Member

“I’m able to call my nurse whenever I need help with my medication and she accompanied me to my doctor’s appointment. I really enjoy the Case Management program, it’s very helpful.”

~ Bonnie, KFHC Case Management Member

Together in... access

Emergency Room Diversion Grant Program

The KHS Board approved \$5.3 million dollars of reserves to be distributed to local health care providers to decrease the inappropriate usage of hospital emergency rooms and to decrease the amount of wait time by KHS members to see their Primary Care Physician. Health care providers who received ER Diversion funds included safety net providers, Kern Medical Center, Omni Family Health and Clinica Sierra Vista; as well as nine non-safety net providers.

Grant recipient's commitment includes:

- Provide longer visits with provider and more individual care
- Provide patient education
- Expand walk-in services
- Facility renovations – new exam rooms
- Increase Providers & Medical Staff
- Expand hours of operation – evening, weekend and holidays
- Increase Case Management Services
- Accommodate same day appointments

The ER Grant Program funded KMC's REACH Clinic; a patient centered medical home model designed to offer KHS members the highest level of outpatient care.

REACH represents:

- R** Realizing your full health care potential through
- E** Education about your disease process;
- A** Accountability to yourself and your care team,
- C** Creating a culture of healing, in order to
- H** Help you return to daily activity.

The clinic's goal is to optimize patient's health status and decrease inappropriate utilization of the ER. The REACH team includes an internal medicine doctor, a nurse practitioner, nurse case manager, pharmacist and a health educator – all in one location. Members with KMC PCP's who have multiple chronic conditions that require care coordination, including cancer and palliative care members as well as members with frequent ER visits and hospitalizations, are referred through the KHS Case Management Department.

KHS grant funds were also utilized to construct the new Clinica Sierra Vista clinic located on Niles east of Fairfax Road. The clinic measures 14,000 sq. ft. and serves Bakersfield's east side community. The new facility provides access to health care to a much needed area. The clinic is also used to train new southern and central valley doctors through The Rio Bravo Family Medicine Residency Program.



Kern Health Systems Governing Board

Kern Health Systems, the County Health Authority, is an independent public agency that governs Kern Family Health Care. The Board of Directors are appointed by the Kern County Board of Supervisors and has included major health care stakeholders, including physicians, safety-net providers, hospitals, pharmacies and community representatives. Board meetings are held monthly and are open to the public.

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Chair

Community Representative, 4th District

Larry Rhoades
Vice Chairman

Community Representative, 3rd District

Wayne L. Deats, Jr.
Treasurer

Community Representative, 4th District

Kimberly Hoffmann, PharmD, BCPP
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Pharmacist Representative

Russell Judd
Chief Executive Officer, Kern Medical Center

Timothy McGlew
Rural General Acute Care Hospital

Cindy Stewart, LVN
Safety Net Provider

Philipp Melendez, M.D.
Traditional Medi-Cal Primary Care Physician
within the City of Bakersfield

William Nyitray, M.D.
Traditional Medi-Cal Primary Care Physician
outside the City of Bakersfield

Linda Hinojosa, R.N.
Community Representative, 1st District

Estela Casas
Community Representative, 5th District



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